


Beatty Bros. Limited Annual Report for the year ended December 31, 1969

*Beatty*



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# Beatty Bros. Limited



## BOARD OF DIRECTORS

R. M. Barford

R. A. Stevens

A. A. P. Menzies

G. R. Gardiner

Miss M. P. Hyndman, Q.C.

G. E. Robertson

G. Rodanz

R. Pigeon

## OFFICERS

G. R. Gardiner, *Chairman*

R. A. Stevens, *President and Treasurer*

A. A. P. Menzies, *Vice-President*

Miss M. P. Hyndman, Q.C., *Secretary*

## TRANSFER AGENT and REGISTRAR

The Canada Trust Company

BANKERS The Bank of Nova Scotia

AUDITORS Clarkson, Gordon & Co.

BEATTY BROS. LIMITED Head Office, Fergus, Ontario



# Report of the Board of Directors

To the Shareholders:

**SALES & PROFIT:** Sales increased 19% from \$52,872,000 to \$63,160,000. Profits after taxes rose from \$590,000 in 1968 to \$657,000 in 1969.

Earnings per share rose from \$1.41 in 1968 to \$1.58 in 1969.

Sales increases were recorded in all GSW divisions except Housewares, where some lines were discontinued. Of greater importance than the dollar increase is the fact that our market shares increased in almost all product lines.

Profit improved in GSW's Appliance, Beatty and Housewares Divisions. The Water Heater Division profit fell despite higher volume because of lower industry prices. GSW (UK) profits were much lower than in 1968 on increased sales volume. This was due, in part, to erratic market conditions.

**CORPORATE STRUCTURE:** Accompanying this report is a proposal to amalgamate Beatty Bros. Limited (whose assets consist of approximately 69% of the outstanding common shares of GSW and \$280,000 of net current assets), and GSW Limited-GSW Limitée. The resulting company will be named GSW Limited-GSW Limitée.

Your directors believe that this simplification of corporate structure, and the conversion of each ten Beatty common shares into 11 "A" shares and 22 "B" shares of the amalgamated company will facilitate the expansion of its capital base and its acquisition of other companies, through the issuance of securities.

**ORGANIZATION AND PERSONNEL:** In mid 1969 the management of GSW Limited-Limitée was restructured to allow for its continued profitable growth. F. R. Johnson, Executive Vice-President, assumed responsibility for all corporate services including accounting, legal, manufacturing, engineering industrial relations, organization and marketing. R. A. Stevens, formerly General Manager of the Appliance Division, was appointed Group Vice-President, with all operating divisions reporting to him. W. H. Hogg was appointed Vice-President of Manufacturing and Industrial Relations.

Four new GSW operating divisions were created—the Building Products Division, Water Heater Division, Appliance Service Division and the Freezer Division; each headed by a General Manager. It is our intention to separate our businesses into independent divisions as soon as their size warrants.

Company-wide training at all levels, both within and outside the Company, continued throughout the year. In addition, we began active recruiting at selected major Canadian and American universities. We feel investment in the hiring and development of our people must receive high priority.

**MARKETING:** As previously mentioned, market shares were increased in most product lines. New products were introduced by the Beatty Division (steel silos and feeding systems), Appliance Division (self-cleaning ranges, side by side refrigerator-freezers), Housewares Division (pantryware products), and Building Products Division (stock frames and doors).



In addition, customer service depots were established in Windsor, Sudbury and Quebec City. Our plan is to expand direct factory service, recognizing that today's customer deserves satisfaction from the time of sale throughout the life of the product.

**WORKING CAPITAL:** While earnings made a substantial contribution to working capital in 1969, the overall working capital position was reduced from \$9,650,000 to \$8,750,000 largely as a result of including in current liabilities a \$1,576,000 provision for retirement of the GSW Limited-Limitée series "A" bonds due May 1, 1970. We are improving our liquidity by reducing inventories during the first quarter of 1970.

**FACILITIES:** During 1969, Metalware products were relocated from Montreal to the GSW/Duro plant in Hamilton. Housewares products will move from Montreal and Hamilton to an 85,000 sq. ft. leased plant in Baie d'Urfe, Quebec, in June, 1970. The land on which the old Montreal plant is situated will be purchased by that city.

In early 1970, the Building Products Division moved to a new 34,000 sq. ft. leased plant in London, Ontario. In addition, new and expanded facilities have been obtained for the Appliance Service Division in London, and for Appliance warehousing in that city.

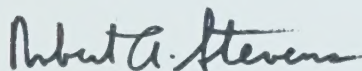
Increased capital machinery expenditures were made in all divisions to provide for improved manufacture, and this program will continue in 1970.

**OUTLOOK:** In the short term, our sales performance in early 1970 has generally been strong. Compared to the first half of 1969, it will be extremely difficult to offset in the first half of 1970 the large increases in material, labour and interest costs, and the lower earnings resulting from our planned inventory reductions. The economy is too uncertain to forecast sales, cost and profit trends in the second half of 1970.

In the longer term, we are optimistic that our people, organization and facilities will enable us to prosper in the growth markets in which we are now positioned. We expect to grow within these markets both internally and by acquisitions.

The progress made in 1969 was due to the efforts of all our people, and the Board extends to all of them its appreciation.

On behalf of the Board,



President.

# Facts in Brief



BEATTY BROS. LIMITED AND SUBSIDIARIES

	1,003, <u>1969</u>	802,00 <u>1968</u>
Sales.....	\$63,160,000	\$52,872,000
Net profit for year.....	657,000	590,000
Earnings per share.....	1.58	1.41
Bank and short term loans.....	6,687,000	3,687,000
Curent assets.....	28,080,000	22,090,000
Current liabilities.....	19,330,000	12,440,000
Current ratio.....	1.5 to 1	1.8 to 1
Working capital.....	\$ 8,750,000	\$ 9,650,000
	1.37	1.04



# Consolidated Statement of Profit and Loss

YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)  
BEATTY BROS. LIMITED and its subsidiary companies

	1969	1968
	(in thousands)	
Net sales.....	\$63,160	\$52,872
Less cost of sales, selling and administrative expenses before providing for the undernoted items.....	59,789	50,172
	3,371	2,700
Interest on funded debt.....	117	129
Interest on other loans.....	608	531
Depreciation and amortization.....	418	862
	1,143	1,522
Operating profit before income taxes and extraordinary items.....	2,228	1,178
Provision for income taxes.....	1,101	593
Net profit before extraordinary items.....	1,127	585
Extraordinary income (expense):		
Plant relocation costs (less applicable income taxes \$112,000—note 5).....	(100)	—
Recovery of income taxes resulting from the carry-forward of prior years' losses.....	26	318
Gain on fixed asset disposals (less applicable income taxes \$25,000).....	—	49
Net profit before minority interest in profits of subsidiaries.....	1,053	952
Dividends paid on preferred shares of subsidiary.....	139	147
Interest of minority shareholders in profits of subsidiaries.....	257	215
	396	362
Net profit for the year.....	\$ 657	\$ 590

(See accompanying notes to financial statements)

# Consolidated Balance Sheet / December 31, 1969

With comparative figures for 1968

BEATTY BROS. LIMITED and its subsidiary companies  
(Incorporated under the laws of Canada)

## ASSETS

	1969	1968
	(in thousands)	
Current assets:		
Cash.....	\$ 597	\$ 162
Accounts receivable.....	9,809	8,092
Inventories valued at the lower of cost and market.....	17,265	13,408
Prepaid expenses and manufacturing supplies.....	409	428
Total current assets.....	28,080	22,090
Fixed assets:		
Land, buildings and equipment, at cost.....	16,597	16,860
Less accumulated depreciation.....	13,661	13,912
Total fixed assets.....	2,936	2,948
Other assets:		
Prepaid income taxes.....	465	394
Engineering, tooling and patent costs, less amounts written off.....	1	1
Total other assets.....	466	395
On behalf of the Board:		
R. A. STEVENS Director		
R. M. BARFORD Director		
	\$31,482	\$25,433



## LIABILITIES

	1969	1968
	(in thousands)	
Current liabilities:		
Bank indebtedness.....	\$ 1,587	\$ 1,487
Short term notes.....	5,100	2,200
Accounts payable.....	9,398	7,579
Income and other taxes payable.....	1,473	945
Dividends payable.....	34	36
Funded debt due within one year (note 2).....	1,738	193
Total current liabilities.....	19,330	12,440
Provision for warranties.....	800	700
Funded debt of subsidiary company (note 2).....	1,074	2,823
Minority interest in GSW Limited-GSW Limitée:		
5% cumulative redeemable preferred shares (redemption price \$2,888,550).....	2,751	2,882
Common shareholders' interest in capital and surplus.....	2,248	1,966
Total liabilities.....	26,203	20,811
Shareholders' equity:		
Capital—		
Authorized:		
97,962 5% cumulative redeemable preferred shares par value \$12.00 each (after deducting 319,038 shares which have been redeemed)		
600,000 common shares without par value		
Issued and outstanding:		
417,000 common shares.....	737	737
Earned surplus.....	4,542	3,885
Total shareholders' equity.....	5,279	4,622
	\$31,482	\$25,433

(See accompanying notes to financial statements)

# Consolidated Statement of Earned Surplus

YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)  
BEATTY BROS. LIMITED and its subsidiary companies

	<u>1969</u>	<u>1968</u>
	(in thousands)	
Balance, beginning of year.....	\$ 3,885	\$ 3,422
Add:		
Net profit for the year.....	657	590
Reduction in minority interest to underlying net tangible asset value.....	—	302
	<u>4,542</u>	<u>4,314</u>
Deduct:		
Write off of the excess of the cost of common shares of GSW Limited-GSW Limitée over book value thereof at date of acquisition (note 2).....	<u>—</u>	<u>429</u>
Balance, end of year.....	<u>\$ 4,542</u>	<u>\$ 3,885</u>

(See accompanying notes to financial statements)




# Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)  
BEATTY BROS. LIMITED and its subsidiary companies

	1969 (in thousands)	1968
Funds were derived from:		
Operations—		
Net profit for the year.....	\$ 657	\$ 590
Add:		
Depreciation and amortization.....	418	862
Minority interest in net profit.....	257	215
Increase in prepaid income taxes.....	(71)	(47)
	<u>1,261</u>	<u>1,620</u>
Proceeds on disposal of fixed assets (less portion included in net profit).....	33	181
Working capital of subsidiaries acquired during the year.....	34	—
Proceeds on issue of GSW Limited-GSW Limitée common shares.....	24	—
Mortgage payments received.....	—	214
	<u>1,352</u>	<u>2,015</u>
Funds were applied to:		
Purchase of fixed assets.....	372	212
Provision for reduction of funded debt.....	1,749	206
Redemption of preferred shares of GSW Limited-GSW Limitée.....	131	133
	<u>2,252</u>	<u>551</u>
Resulting in a decrease (increase) in working capital of.....	<u>\$ 900</u>	<u>\$(1,464)</u>

(See accompanying notes to financial statements)

# Auditors' Report



To the Shareholders of  
Beatty Bros. Limited:

We have examined the consolidated balance sheet of Beatty Bros. Limited and its subsidiary companies as at December 31, 1969 and the consolidated statements of profit and loss, earned surplus, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1969, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada.  
February 17, 1970.

*Clarkson Gordon & Co.*  
Chartered Accountants



# The Divisions of the Company and the products they market

## APPLIANCE DIVISION

London, Ont. and Fergus, Ont.

George S. Dickson, General Manager

GSW-McClary and Beatty refrigerators,  
electric ranges and freezers

GSW-Easy and Beatty automatic washers  
and dryers

wringer washers

twin-tub washers

GSW air conditioners

Easy coin laundry equipment

## HOUSEWARES & METALWARES DIVISIONS

Gene Webber, General Manager

Montreal, Quebec Plant

stainless steel cookware

aluminum cookware

pantryware

enamel cookware

Hamilton, Ont. Plant (Duro)

galvanized ware

dairy pails

stove pipe and elbows

roof drainage

waste paper baskets

sheet iron cookware

## BEATTY DIVISION

Fergus, Ont.

Lou Hollander, General Manager

mechanical feeding equipment

silo unloaders

gutter cleaners

liquid manure spreaders and equipment

steel pens and stalls

vitreous enamel steel silos

Beatty and McDougall domestic water pumps,  
tanks and equipment

Beatty boat and snowmobile trailers  
wringer washers

Lovell wringers for laundry equipment

## FREEZER DIVISION

Fergus, Ont.

Keith Pifer, General Manager

chest freezers

## WATER HEATER DIVISION

London, Ont. and Dundas, Ont.

Bill Arbuthnot, General Manager

electric water heaters

gas water heaters

glass-lined range boilers

galvanized range boilers

## BUILDING PRODUCTS DIVISION

London, Ont.

Douglas High, General Manager

toilet partitions and shower cabinets

custom steel doors

standard doors and frames

lockers

fire doors

## SERVICE DIVISION

London, Ont.

Jim Alexander, General Manager

replacement parts for appliances

servicing appliances

## UK DIVISION

Hatfield, UK.

Mike Maskall, Managing Director

McClary warm air gas  
and electric furnaces

McClary coin-operated gas dryers

McClary coin-operated laundry equipment

Temco gas space-heaters

